STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: RATEMAKING PRINCIPLES PROCEEDING	DOCKET NO. RMU-01-11

ORDER COMMENCING RULE MAKING

(Issued September 14, 2001)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1, and 2001 Iowa Acts, House File 577, the Utilities Board proposes to adopt the rules attached hereto and incorporated by reference. These rules add new chapter 199 IAC chapter 41 to reflect changes to Iowa Code chapter 476 that were enacted in House File 577; in particular, section 12 of House File 577. The reasons for proposing these rules are set forth in the attached notice of intended action.

IT IS THEREFORE ORDERED:

1. A rule making proceeding, identified as Docket No. RMU-01-11, is commenced for purposes of receiving comments upon the proposed rules attached to this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Mark O. Lambert

Dated at Des Moines, Iowa, this 14th day of September, 2001.

UTILITIES DIVISION [199]

Notice of Intended Action

Pursuant to Iowa Code sections 17A.4 and 476.1 and 2001 Iowa Acts, House File 577, the Utilities Board (Board) gives notice that on September 14, 2001, the Board issued an order in Docket No. RMU-01-11, In re: Ratemaking Principles Proceeding, "Order Commencing Rule Making," to receive public comment on a new proposed chapter containing the filing requirements for the ratemaking principles proceedings provided for in paragraph 12(3)"d" of 2001 Iowa Acts, House File 577. Section 12 of 2001 Iowa Acts, House File 577, allows rate-regulated public utilities that file an application to construct or lease generating plants that meet certain criteria to request that the Board specify in advance the ratemaking principles that will apply when the costs of the facility are included in regulated electric rates. Paragraph 12(3)"d" specifically provides that the applicable ratemaking principles shall be determined in a contested case proceeding. New 199 IAC chapter 41 being proposed outlines the filing requirements for a rate-regulated public utility to follow when it makes a filing to initiate a ratemaking principles proceeding.

The proposed new chapter only contains filing requirements for the ratemaking principles proceeding. The ratemaking principles themselves will be determined by the Board after hearing all of the evidence in the contested case proceeding and may not be the same for any two generation facilities, because the facts and circumstances will be different with each proceeding. Because these are new and unique proceedings, no standard procedural schedule is proposed. For example, a proceeding involving a coal-fired plant or an affiliate lease may have issues different

from a proceeding involving a gas-fired combined cycle plant and additional time will likely be required to deal with those issues.

A summary of the new proposed chapter is as follows:

199 IAC 41.1(476) Definitions.

This section establishes the definitions that will be used throughout the chapter. Definitions for baseload generation, combined-cycle combustion turbine, and opportunity sales have been developed. The definitions for "alternate energy facility" and "facility" are taken directly from current statute (Iowa Code section 476.42 and Iowa Code chapter 476A, respectively) and the definition for emission allowance is taken from 199 IAC 24. The definition of "utility" is the same as that used in the competitive bidding rules, Docket No. RMU-01-8, noticed in the Iowa Administrative Bulletin on August 22, 2001, as ARC 0888B. The definition includes all rate-regulated electric public utilities selling to retail customers in Iowa.

199 IAC 41.2(476) Applicability and purpose.

The rules only apply if a rate-regulated utility proposes to construct or lease, either in whole or in part, a new baseload (exceeding 300 MW), combined-cycle, or alternate energy facility in Iowa and the utility desires a predetermined set of ratemaking principles that shall be used to determine retail rate recovery of the costs of facility. The rules apply only to new facilities, not existing facilities, consistent with the language and legislative intent.

199 IAC 41.3(476) Application for predetermined ratemaking principles-contents.

This section establishes the minimum filing requirements that must accompany an application for predetermined ratemaking principles, giving the utilities guidance as to what evidence the Board needs to make a finding of reasonableness. Since "reasonableness" is a broad concept, the Board should consider several factors in addition to cost of the facility. Each subsection of 41.3 contains a different set of minimum filing requirements and is discussed separately.

199 IAC 41.3(1) General information.

Much of the "General Information" subsection comes directly from the Board's proposed generation plant siting rules, Docket No. RMU-01-7, noticed in the Iowa Administrative Bulletin on August 22, 2000 as ARC 0889B. This general information includes a description of the facility and its ownership, site, fuel, and wastes. The applicant is also asked to identify contractual commitments undertaken or planned to be undertaken with respect to the proposed facility and a general map and description of transmission corridors and constraints. Requirements identifying the general contractor and plant operator are not part of the Board's proposed generation plant siting rules, but are necessary for appropriate risk assessment, as discussed in subsection 41.3(3) below.

House File 577 allows the utility to file for ratemaking principles at the same time it files for a plant siting certificate. In a joint principles and certificate filing, the utility would only have to file the general information once.

199 IAC 41.3(2) Economic evaluation of the proposed facility.

This subsection requires the utility to provide basic cost and financial information regarding the proposed facility as projected throughout its life using the proposed ratemaking principles. This information is necessary to give the Board an indication of what the facility will cost ratepayers at the time it is included in retail rates. The installed cost includes the cost elements identified in the Board's siting rules (199 IAC 24.4(1)"h") and adds additional elements such as the costs of engineering and development, sales taxes, AFUDC (allowance for funds used during construction), and gas and transmission interconnection. The installed cost is used in calculating projected revenue requirements associated with the proposed facility and, as such, should reflect all capital costs associated with the project. Projected fixed and variable operation and maintenance costs must also be filed as part of this subsection, because these costs are also reflected in revenue requirements or energy adjustment clause payments. The cost of capital and cash flow analyses, requested in paragraphs "b" and "c," indicate how construction of the facility is projected to affect the liquidity of the utility and return to shareholders.

199 IAC 41.3(3) Risk mitigation factors.

It is appropriate for the Board to consider risk mitigation factors the utility has in place for the proposed facility when determining the reasonableness of the facility in comparison to other alternatives. Under a purchased power alternative for new supply, the utility would likely not incur either operational or construction risk.

It is also important to consider risk mitigation factors because of the irrevocable nature of the regulatory principles. By making the principles irrevocable, House File

577 shifts the construction and operational risk of the facility from a utility's shareholders to its ratepayers. For example, by predetermining an irrevocable cost of equity for the proposed facility, the Board eliminates its ability to use this ratemaking tool to adjust for management inefficiency in either the construction or operation of the proposed facility.

Contractual operational risk mitigation factors (especially performance standards) are particularly important in a leasing arrangement with a deregulated affiliate of the utility where the affiliate operates the plant. While utilities readily negotiate performance standards in purchased power agreements with third parties, they may not have the same incentive to do so with an affiliate. The proposed rules indicate that performance standards in an affiliate leasing arrangement are expected for a Board determination of reasonableness.

199 IAC 41.3(4) Non-cost factors.

The Board's previous plant siting statute primarily focused on a least-cost standard for new supply. House File 577 removed the least-cost standard and replaced it with a reasonableness determination. As such, it is appropriate for the Board to consider non-cost factors in its determination of ratemaking principles. This section requires the utility to compare the following non-cost factors to other feasible sources of supply: 1) economic impact to the state and community where the facility is proposed to be located including job creation, taxes, and use of Iowa resources; 2) environmental impact to the state and community where the facility is proposed to be located; 3) electric supply reliability and security in Iowa; 4) fuel diversity and use

of nontraditional supply sources such as alternate energy and co-generation; and 5) efficiency and control technologies.

199 IAC 41.3(5) Proposed ratemaking principles.

Although House File 577 does not define what is meant by a ratemaking principle, the following factors have traditionally been the major cost drivers in determining retail rate recovery for new facilities: cost of equity, capital structure, costs of debt and preferred securities, depreciable lives, tax timing differences, jurisdictional allocations, current returns on construction work in progress, synchronization of AFUDC accrual termination, and treatment of excess capacity. In addition to these factors, another factor emerging from the new market environment is the sharing of profits from opportunity sales. This subsection of the proposed rules includes specific minimum filing requirements for many of these principles if proposed by the utility. The filing requirements relate to financial modeling, peer analysis, jurisdictional allocation studies, and financial analyst's forecasts. Many of these studies are readily filed in utility rate cases in support of cost of capital calculations, jurisdictional allocations, and tax timing differences. At a minimum, the utilities should be required to file like information in support of specific ratemaking principles given that these principles are irrevocable and will ultimately be used in setting retail rates to recover the cost of the project.

199 IAC 41.3(6) Consideration of other feasible sources of long-term supply.

The utility may satisfy the filing requirements found in this subsection by submitting the report required by subrule 40.2(4) of the Board's proposed competitive bidding rules and the certification of the independent evaluator as

required by subrule 40.4(3) of the proposed rules. If the utility chooses not to conduct a competitive solicitation as required by Board rules or if the Board determines the number of bidders in the solicitation was inadequate for a true competitive result, the utility must then comply with the requirements of this subsection.

Four feasible sources of long-term supply are available to utilities: long-term power purchase agreements, curtailment of load through load management programs, curtailment of load and energy through energy efficiency programs, and non-traditional sources of supply such as alternate energy and co-generation. Under this subsection, the utility must compare a proxy power purchase agreement with these other sources of supply. The proxy power purchase agreement shall reflect the expected capacity and energy costs (including allocation of common costs) for the facility using the proposed ratemaking principles. This information allows the Board to compare the cost of utility-owned generation with the other feasible sources of supply (similar to the all-source bidding included in the competitive bidding rules).

199 IAC 41.3(7) Energy efficiency plan.

In determining the applicable ratemaking principles, the Board must find that the utility has <u>in effect</u> a Board-approved energy efficiency plan as required under section 476.6, subsection 19. Both MidAmerican and Alliant have Board-approved energy efficiency plans. The Board believes these plans are only "in effect" (as required by House File 577) if the utility's energy efficiency expenditures are essentially in-line with its budgeted plan expenses. Therefore, the rules require the

utility to file a comparison of its budgeted plan expenses with its actual expenses for the most recent review period.

199 IAC 41.3(8) Additional application requirements for leasing arrangements.

House File 577 allows the Board to predetermine ratemaking principles for both utility-owned and utility-leasing arrangements. The lease may be with a deregulated affiliate of the utility or a merchant plant developer. This subsection of the proposed rules requires additional information to be filed if the utility is proposing a lease arrangement. A lease arrangement adds another factor in the application that must be evaluated in order for the Board to make a reasonableness determination. The issue is further complicated if the leasing arrangement is with a deregulated affiliate of the utility, necessitating further filing requirements.

199 IAC 41.5(476) Coincident filing.

This section gives the utility the option of filing its ratemaking principles application coincident with its application for generation plant certification under 199 IAC chapter 24 consistent with House File 577.

Pursuant to Iowa Code sections 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed rules. The statement must be filed on or before October 23, 2001, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements should clearly state the author's name and address and should make specific reference to this docket. All communications should be directed to the Executive Secretary, Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

A public hearing to receive comments on the proposed amendments will be held at 10 a.m. on November 27, 2001, in the Board's hearing room at the address listed above.

These rules are intended to implement Iowa Code section 476.1 and 2001 Iowa Acts, House File 577.

The following chapter is proposed.

Adopt new 199 IAC 41 as follows:

CHAPTER 41
RATEMAKING PRINCIPLES PROCEEDING

199—41.1(476) Definitions.

"*Affiliate"* means a party that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a rate-regulated public utility.

"Alternate energy production facility" means any or all of the following:

a. A solar, wind turbine, waste management, resource recovery, refuse-derived fuel, agricultural crops or residues, or woodburning facility.

b. Land, systems, buildings, or improvements that are located at the project site and are necessary or convenient to the construction, completion, or operation of the facility.

c. Transmission or distribution facilities necessary to conduct the energy produced by the facility to users located at or near the project site.

A facility which is a qualifying facility under 18 C.F.R. part 292, subpart B is not precluded from being an alternate energy production facility under this division.

"Baseload generation" refers to generating units designed for normal operation to serve all or part of the minimum load of the system on an around-the-clock basis. These units are operated to maximize system mechanical and thermal efficiency and minimize system operating costs.

"BTU" means British thermal unit.

"Combined-cycle combustion turbine" refers to an electric generating technology in which the efficiency of electric generation is increased by using otherwise lost waste heat exiting from one or more combustion turbines. The exiting heat is routed to a boiler or to a heat recovery steam generator for utilization by a steam turbine in the production of electricity.

"Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract or otherwise.

"CWIP" refers to construction work in progress.

"Emission allowance" means an authorization, allocated by the federal Environmental Protection Agency under the Acid Rain Program, to emit up to one ton of sulfur dioxide, during or after a specified calendar year.

"kWh" means kilowatt-hour.

"Facility" means any electric power generation plant or a combination of plants at a single site, owned by any person, with a total capacity of 25 megawatts of electricity or more and those associated transmission lines connecting the generating plant to either a power transmission system or an interconnected primary transmission system or both.

"Opportunity sales" refers to sales of electricity from a particular facility at market price after all contracted and firm transactions have been met.

"Utility" as defined in this chapter refers to a rate-regulated electric public utility selling to retail customers in Iowa.

199—41.2(476) Applicability and purpose. These rules apply to any rate-regulated public electric utility proposing to build or lease in Iowa, either in whole or in part, a new baseload generating facility exceeding 300 megawatts in size, a new combined cycle combustion turbine of any size, a new alternate energy production facility of any size, or any combination of the above, and desiring predetermination of ratemaking principles to be used in establishing retail cost recovery of such a facility. The rules set the minimum filing requirements in a regulatory principle proceeding depending on the specific circumstances in each filing.

199—41.3(476) Application for predetermined ratemaking principles - contents. Each person or group of persons proposing to construct or lease a facility under this chapter and desiring predetermination of ratemaking principles for costing that facility shall file an application with the board. An application may be for one facility or a combination of facilities necessary to meet the current and future resource needs of the utility. At a minimum, an application shall substantially comply with the following informational requirements.

41.3(1) General *Information*. An application shall include the following general information:

a. A complete description of the current and proposed rights of ownership in the proposed facility and current or planned purchased power contracts with respect to the proposed facility.

b. A general site description including a legal description of the site location, a map showing the coordinates of the site and its location with respect to state, county, and other political subdivisions, and prominent features such as cities, lakes, rivers and parks within the site impact area.

c. A general description of the proposed facility including a description of the principal characteristics of the facility such as the capacity of the proposed facility in megawatts expressed by the contract maximum generator nameplate MW rating, the net facility addition to the system in MW, by net to the busbar rating, and the portion (in MW) of the design capacity of the proposed facility which is proposed to be available for use by each participant, the number and type of generating units, the primary fuel source for each such unit, total hours of operation anticipated seasonally, and annually and output during these hours, expected capacity factors, a description of the general arrangement of major structures and equipment to provide the board with an understanding of the general layout of the facility, and a schedule for the facility's construction and utilization including the projected date significant site alteration is proposed to begin and the projected date the facility is to be placed into service. For this purpose, a group of several similar generating units operated together at the same location such that segregated records of energy output are not available shall be considered as a single unit.

d. A general description of all raw materials, including fuel, used by the proposed facility in producing electricity and of all wastes created in the production process. In addition to describing the wastes created in the production process, the applicant shall determine annual expected sulfur dioxide emissions from the facility and provide a plan for acquiring allowances sufficient to offset these emissions. The applicant shall describe all transportation facilities currently operating that will be available to serve the proposed facility and shall describe any additional transportation facilities needed to deliver raw materials and to remove wastes.

e. Identification, general description, and chronology of all financial and other contractual commitments undertaken or planned to be undertaken with respect to the proposed facility.

f. A general map and description of the primary transmission corridors and the approximate routing of the rights-of-way in the vicinity of settled areas, parks, recreational areas, and scenic areas. An analysis of the existing transmission network's capability to reliably support the proposed additional generation interconnection to the network. The analysis must also show that the interconnection to the transmission system is consistent with standard utility practices and the proposed interconnectaon does not degrade the adequacy, reliability, or operating flexibility of the existing transmission system in the area.

g. Identification of the general contractor for the proposed facility and the method by which the general contractor was selected.

h. Identification of the plant operator for the proposed facility and the method by which the operator was selected.

41.3(2) Economic *evaluation of proposed facility*. An application shall include an overall economic evaluation of the facility using conventional capital budgeting techniques and the proposed ratemaking principles. At a minimum, the evaluation shall include:

a. Net present value calculations. An application shall include annual and total net present value calculations of revenue requirements and capital costs over the life of the facility. In making these calculations, the utility shall detail the following cost assumptions:

(1) Installed cost. The utility shall provide an itemized statement of the total costs to construct the proposed facility. Such costs shall include, but not be limited to, the cost of all electric power generating units, all electric supply lines within the facility site boundary, all electric supply lines beyond the facility site boundary with voltage of 69 kilovolts or higher used for transmitting power from the facility to the point of junction with the distribution system or with the interconnected primary transmission system, all appurtenant or miscellaneous structures used and useful in connection with said facility or any part thereof, all rights-of-way, lands or interest in lands the use and occupancy of which are necessary or appropriate in the maintenance or operation of said facility, engineering and development, sales taxes, and allowance for funds used during construction (AFUDC) (if applicable). The costs of all electric power generating units shall include all costs of transmission and gas interconnection (if applicable). Facility costs shall be expressed in absolute terms and in dollars per kilowatt. The absolute and per kilowatt construction costs

shall be adjusted by the expected rate of inflation from the time the construction costs are calculated to the time the facility is scheduled for operation.

(2) Fixed expenses. For each year of the facility's life from the time of application to the end of its expected life, the utility shall file expense factors for fixed operation and maintenance costs; property, income, and other taxes; and straight-line and tax depreciation rates.

(3) Variable expenses. For each year of the facility's life from the scheduled time of operation to the end of its expected life, the utility shall file expected variable operation and maintenance costs including the cost of fuel and emission allowances. These costs shall be reported in absolute terms and on a kilowatt-hour basis assuming expected annual capacity factors for the facility.

b. Cost of capital. The utility shall provide its projected costs of capital for the proposed facility for each year from the time of application throughout the facility's life. All assumptions used in the projections shall be provided including, but not limited to, capital structure, cost of preferred stock, cost of debt, and cost of equity.

c. Cash flows. The utility shall provide the estimated maximum, minimum and expected cash inflows and maximum, minimum and expected cash outflows associated with the facility in each year from the date of application throughout the facility's life.

41.3(3) Risk *mitigation factors*. At a minimum, the following information regarding contractual risk mitigation factors shall be included in an application.

a. Construction risk mitigation factors. A general description of the contractual standards by which the general contractor, if not the utility, must comply to mitigate

construction risks including, but not limited to, cost overruns, labor shortages, failure to meet deadlines, and the need for replacement power if operational deadlines are not met. If the facility is being leased by the utility, identify the above factors for the general contractor constructing the facility and the lessor. The general description should include all remedies, financial and otherwise, available to the utility for noncompliance with the construction standards and schedules.

b. Operational risk mitigation factors. A general description of the contractual standards by which either the general contractor or the plant operator, if not the utility, must comply to mitigate operational risks of the facility including, but not limited to, low availability factors and higher than expected operation and maintenance costs. The general description should include a list of all contractual inspections the general contractor must meet prior to the utility taking ownership or lease of the facility and all remedies, financial and otherwise, available to the utility for noncompliance with the operating standards. If the utility leases the facility from its affiliate, the expectation is that the lease shall contain specific performance standards that the affiliate must meet to avoid financial consequences.

41.3(4) Non-*cost factors.* The utility shall include in its application a comparison of the proposed facility with other feasible sources of supply related to the following non-cost factors.

a. Economic impact to the state and community where the facility is proposed to be located including job creation, taxes, and use of Iowa resources.

b. Environmental impact to the state and community where the facility is proposed to be located.

c. Electric supply reliability and security in Iowa.

d. Fuel diversity and use of nontraditional supply sources such as alternate energy and conservation.

e. Efficiency and control technologies.

41.3(5) Proposed *ratemaking principles*. At a minimum, an application must include support, as required by this subsection, for each ratemaking principle requested. Proposed ratemaking principles not envisioned by these rules shall be supported by sufficient evidence to justify their use in costing the facility for regulated retail rate recovery.

a. Cost of equity. The utility shall file financial models demonstrating the proposed equity rate or range of equity rates is necessary to attract equity capital to the project. The financial analysis shall include a risk assessment of the proposed facility including a comparison with like facilities being built or developed in the Midwest region.

b. Capital structure. The utility shall file a peer group analysis of capital structures used for like facilities within the last two years.

c. Costs of debt and preferred securities. The utility shall file analysts' forecasts of debt and preferred cost rates that include the scheduled completion date of the proposed facility.

d. Depreciable lives. Depreciable lives based on technical obsolescence shall be supported by studies projecting technological advancements in the generation of electricity that will hasten the end of the proposed facility's economic life.

Depreciable lives based on financial considerations shall be supported by a peer group analysis of depreciable lives used for like facilities within the last two years.

e. Normalization of state and federal taxes. The utility shall file a comparison of the revenue requirements for each year of the proposed facility's expected life assuming the board's traditional regulatory approach for treatment of tax timing differences and the proposed normalization.

f. Jurisdictional allocations. Proposals for principles allocating the cost or output of the proposed facility among jurisdictions, both federal and state, shall be supported by jurisdictional allocation studies.

g. Sharing the profits from opportunity sales. Proposals to share the profits from opportunity sales with utility shareholders shall be supported by a peer analysis of like sharing arrangements approved by other regulatory bodies. In addition, the utility shall identify all firm transactions for both retail and wholesale load associated with the proposed facility.

h. Current returns on construction work in progress. Proposals to include a current return on CWIP in regulated retail rates prior to the operation of the facility shall be supported by financial models calculating the difference in revenue requirements for each year from the time of application to the end of the facility's expected life resulting from including a current return on CWIP versus traditional AFUDC accounting.

41.3(6) *Consideration of other feasible long-term supply options including demand-side management*. Utilities may satisfy the requirements of this subsection by conducting a competitive solicitation under 199 IAC 40. Utilities choosing this

option, shall file the report as required by subrule 40.2(4) and the certification of the independent evaluator as required by subrule 40.4(3). The solicitation conducted under 199 IAC 40 must involve sufficient bidders of like facilities to be used by the utility to demonstrate that the proposed facility or lease is reasonable when compared to other feasible alternative sources of supply. Utilities not choosing to conduct a competitive solicitation under 199 IAC 40 or utilities not attracting sufficient bidders in their solicitation, as determined by the board, shall file the following information as part of an application for ratemaking principles.

a. Proxy power purchase agreement. Based on the cost estimates provided under subrule 41.3(2) and the proposed ratemaking principles, the utility shall develop and file a proxy power purchase agreement for the proposed facility or lease including price, terms, and other conditions. The agreement shall be structured on an incremental cost basis, including an allocation of joint and common costs incurred for the project's development. The filing shall detail the methodology used in allocating joint and common costs.

b. Comparison of proxy power purchase agreement with feasible sources of long-term supply. The utility shall provide a detailed comparison of the proxy power purchase agreement with other feasible sources of long-term supply including the following:

(1) Regional long-term purchased power market. The utility shall compare the proxy power purchase agreement with available supplies in the region's long-term power market. Competitive solicitations for long-term supply conducted by the utility may be used in defining other supply options in the long-term purchased power

market. Absent specific competitive solicitations, the utility shall submit evidence that it has surveyed potential suppliers of long-term electric supply on a formal basis and provide the price, terms, and conditions resulting from these surveys.

(2) Load management programs. The utility shall compare the proxy power purchase agreement with the cost of capacity and energy curtailment available from enhanced interruptible rate programs and direct load control. The utility shall submit evidence showing it has reviewed the incentives available under its interruptible and direct load control programs and that such benefits are appropriate given the cost of available supply options.

(3) Energy efficiency. The utility shall compare the proxy power purchase agreement with the cost of capacity and energy savings available from current and envisioned energy efficiency programs.

(4) Nontraditional sources of supply. The utility shall compare the proxy power purchase agreement with the cost of nontraditional supply sources including alternate energy and cogeneration.

41.3(7) Energy *efficiency plan*. The utility shall demonstrate that it has in effect a board-approved energy efficiency plan as required under Iowa Code section 476.6(19), by filing a comparison of its budgeted plan expenses and its actual expenses by program for its most recent review period.

41.3(8) *Additional application requirements for leasing arrangements*. The following additional information shall be filed when a utility is proposing an arrangement in which the utility leases a facility from a deregulated affiliate of the utility or an independent third party.

a. Identification of the method used in selecting the affiliate or independent third party to build the facility (i.e., competitive solicitation, sole source, etc.).

b. Copy of the lease agreement.

c. Detailed description of the lease agreement including, but not limited to, the following:

(1) Commitment of capacity from the proposed facility to the utility under the lease agreement.

(2) Description of the final disposition of the leased facility at the end of the lease arrangement including any options available to the utility and the terms of those options.

(3) Identification of party responsible for operating, dispatching, and maintaining the facility.

(4) Identification of the party responsible for the cost of capital improvements, renewals and replacements, environmental compliance, taxes, and all other future costs associated with the facility.

(5) Identification of the party responsible for contracting capacity from the proposed facility.

(6) Identification of the party benefiting from revenues received through contracted capacity and opportunity sales.

d. If the lessor is an affiliate of the utility, a detailed description of the affiliate including corporate structure and percent ownership of the affiliate by the utility.

e. If the lessor is an affiliate of the utility, identify utility assets transferred to the affiliate for use by the proposed facility and the cost at which those assets were transferred.

f. If the lessor is an affiliate of the utility, identify any financial benefits and cost savings, including any tax advantages, accruing to the utility from leasing an affiliate-owned facility versus building a facility itself.

199—41.4(476) Coincident filing. The utility shall have the option of filing its application for ratemaking principles, as required by this chapter, coincident with its application for generation plant certification under IAC Chapter 24. Identical information required by both chapters need only be included once in a joint principles and certification application.

This rule are intended to implement Iowa Code section 476.1 and 2001 Iowa Acts, House File 577.

September 14, 2001

/s/ Allan T. Thoms
Allan T. Thoms
Chairperson